

**Fiscal
Year
2018**

Georgia Public Telecommunications Commission

A Component Unit of the State of Georgia

Audit Report

**For the Fiscal Year
Ended June 30, 2018**

(with summarized comparative information for the fiscal year ended June 30, 2017)

**Department of
Audits and Accounts**

**Greg S. Griffin
State Auditor**



GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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SECTION II

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SECTION I

FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of the Georgia Public Telecommunications Commission
and
Ms. Teya Ryan, President and Chief Executive Officer

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Georgia Public Telecommunications Commission (Commission) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the basic financial statements, the Commission adopted, in 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5 through 10, information on other postemployment benefits on page 53 through 54, and the Schedules of Proportionate Share of the Net Pension Liability and Schedules of Contributions to Retirement Systems on pages 60 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Revenues and Expenditures-Budget and Actual-General Fund (Schedule 9) on page 67 and the Statement of Activities By Corporation for Public Broadcasting Grantee (Schedule 10) on page 68 (collectively the Schedules) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Prior-Year Comparative Information

We have previously audited the Commission's 2017 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Respectfully submitted,



Greg S. Griffin
State Auditor

October 5, 2018

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The following is a discussion and analysis of the financial performance of the Georgia Public Telecommunications Commission (Commission), which does business as Georgia Public Broadcasting (GPB). It provides an overview of the activities for the fiscal year ended June 30, 2018 and compares them to fiscal year ended June 30, 2017 and June 30, 2016. Georgia Public Broadcasting provides educational, instructional and public broadcasting services to the citizens of the state of Georgia. This information is designed to be read in conjunction with the Commission's financial statements that follow this section.

HIGHLIGHTS

Net Position

As of the close of fiscal year 2018, the Commission's combined ending net position totaled \$961,563. Of this total, \$3,223,407 is invested in capital assets and (\$2,261,844) is unrestricted.

Long-term Liabilities

GPB's total long-term debt liabilities consist of \$1,062,490 in compensated absences, \$13,110,054 in GPB's proportionate share of net pension liability and \$15,242,523 in net other post-employment benefit liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information to the basic financial statements themselves.

The *Government-Wide Financial Statements* are designed to provide a broad overview of the Commission's finances, in a manner similar to private-sector business reports.

The *Statement of Net Position* presents information on the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources and net position as of June 30, 2018. Assets and liabilities are reported as current and noncurrent and the total of assets plus deferred outflows of resources less liabilities and deferred inflows or resources is reported as *Net Position*. Over time, increases or decreases in net position should serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* presents information showing how the Commission's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned unused vacation leave).

The government-wide financial statements only include the operations of the Commission. The Commission is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of the Commission's legal, operational and financial

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

relationships with the State of Georgia. These reporting entity relationships are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All Commission funds can be classified into the category of *governmental funds*.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Commission maintains three individual governmental funds. The *General Fund* is a major fund and is used to account for all activities of the Commission not otherwise accounted for by specific funds. The *Special Revenue Fund* is used to account for all financial transactions related to the component unit, The Foundation for Public Broadcasting in Georgia, Inc. The *Capital Project Fund* accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds and FCC repacking projects funded by FCC auction proceeds or FCC reimbursements.

Notes To Financial Statements

Notes to financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the Basic Financial Statements section of this report.

Other Required Information

In addition to this management's discussion and analysis, which is required supplementary information, the basic financial statements are followed by a section of other required supplementary information that further explains and supports the information in the financial statements. This section, which begins on page 57 of this report, consists of a schedule of the Commission's changes in total OPEB liability and related ratios for GPTC's health plan, schedules of proportionate share of the net OPEB asset for SEAD, schedules of proportionate share pension of the net liability for the Employees Retirement System (ERS) and the Teachers Retirement System of Georgia (TRS), schedules of contributions of ERS and TRS and notes to the required supplementary information for both pension plans. Other supplementary information that is not required begins on page 67 and consists of a general fund statement of revenues and expenditures budget and actual Statement. New for fiscal year 2018 is a statement of activities by Corporation for Public Broadcasting grantee and notes to this supplementary information.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Georgia Public Telecommunications Commission Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Capital Assets, Net of Depreciation	\$ 3,223,407	\$ 3,648,738	\$ 4,028,223
Other Assets	26,518,174	8,186,445	8,960,265
Total Assets	<u>29,741,581</u>	<u>11,835,183</u>	<u>12,988,488</u>
Deferred Outflows of Resources			
Related to Defined Benefit Pension Plans	2,601,081	4,442,361	2,450,878
Related to Other Post-Employment Benefits	155,038	-	-
	<u>2,756,119</u>	<u>4,442,361</u>	<u>2,450,878</u>
Liabilities			
Other Liabilities	432,859	372,355	526,031
Long-Term Liabilities			
Current	269,953	299,050	279,488
Noncurrent	29,145,114	17,917,933	13,823,693
Total Liabilities	<u>29,847,926</u>	<u>18,589,338</u>	<u>14,629,212</u>
Deferred Inflows of Resources			
Related to Defined Benefit Pension Plans	111,867	42,080	933,765
Related to Other Post-Employment Benefits	1,576,344	-	-
	<u>1,688,211</u>	<u>42,080</u>	<u>933,765</u>
Net Position			
Investment in Capital Assets	3,223,407	3,648,738	4,028,223
Unrestricted	(2,261,844)	(6,002,612)	(4,151,833)
Total Net Position	<u>\$ 961,563</u>	<u>\$ (2,353,874)</u>	<u>\$ (123,610)</u>

The Commission's total net position increased by \$16,591,751 from the prior year before restating and decreasing net position by \$13,276,314 attributable to a change in reporting requirements that are a result of GASB (Governmental Accounting Standards Board) Statement No. 75. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The FY 2017 statements above do not reflect the changes to the new standard as that was adopted by GPTC as of July 1, 2017. In fiscal year 2018, the beginning net position was restated and decreased by \$13,276,314 to reflect these changes and then the current year liability was reported.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The Commission's total liabilities for FY 2018 increased by \$11,258,588 and are mostly attributable to OPEB liability. This increase is offset by the net effect of Deferred Outflows and Deferred Inflows of resources in relation to OPEB and pensions.

The following is a summary of the Revenues and Transfers, Expenses and changes in Net Position for fiscal years 2018, 2017 and 2016:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues			
Program Revenues			
Charges for Services	\$ 6,296,911	\$ 6,573,692	\$ 5,935,681
Operating Grants and Contributions	12,005,295	12,424,318	11,962,319
Capital Grants and Contributions	1,681,485	964,818	430,100
General Revenues			
Intergovernmental - Other	15,251,668	15,154,949	14,997,510
Unrestricted Investment Earnings	515,090	549,762	160,146
Special Items	19,217,113	-	-
Transfers and Donated Assets	<u>(8,110)</u>	<u>(17,970)</u>	<u>12,021</u>
Total Revenues, Transfers, and Special Items	54,959,452	35,649,569	33,497,777
Expenses			
Culture and Education	<u>38,367,701</u>	<u>37,879,832</u>	<u>36,336,832</u>
Increase (Decrease) in Net Position	16,591,751	(2,230,264)	(2,839,055)
Net Position - Beginning as Originally Reported	(2,353,874)	(123,610)	2,715,445
Cumulative Effect of Changes in Accounting Principle	<u>(13,276,314)</u>	<u>-</u>	<u>-</u>
Net Position - Beginning of Year, Restated	<u>(15,630,188)</u>	<u>(123,610)</u>	<u>2,715,445</u>
Total Net Position - Ending	\$ <u>961,563</u>	\$ <u>(2,353,874)</u>	\$ <u>(123,610)</u>

The increase in revenues and transfers from FY 2017 to FY 2018 is attributable to increases in capital grants for projects funded by the Georgia State Financing and Investment Commission (GSFIC) and a special item related to the Federal Communications Commission (FCC) spectrum auction.

The FCC invited stations to enter a reverse auction at the end of 2015 to purchase spectrum used by television stations to sell to wireless to broadband companies. GPTC entered two of its stations into the reverse auction, WJSP TV (Columbus) and WNGH TV (Rome). These stations were on the UHF band and we were able to sell some of our TV spectrum by moving these two stations to a different frequency, a low VHF band. The change will not impact any viewers or listeners around the state. This special item represents proceeds from the FCC for the sale of spectrum at WJSP TV and WNGH TV.

Other changes to revenue include an increase in revenue for underwriting and an increase in rents and royalties. The Statement of Revenues, Expenses and changes in Net Position reflects an increase in net position attributable to current year activity.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

General Fund

The General Fund is the chief operating fund of the Commission and consists of the budget fund for GPB. The budget fund for GPB is the fund responsible for all activities of the Commission. At June 30, 2018 the General Fund had \$670,419 in assigned fund balance for encumbrances and \$832,599 in unassigned fund balance as described in the Notes to the Financial Statements.

Special Revenue Fund

The Special Revenue Fund is used to account for all financial transactions related to the component unit, The Foundation for Public Broadcasting in Georgia, Inc. Although legally separate, the Foundation is, in substance, a part of the Commission's operations. Funds raised by the Foundation are almost entirely devoted to the benefit of the Commission. At June 30, 2018 the Special Revenue Fund has \$24,582,297 in assigned fund balance as described in the Notes to the Financial Statements.

Capital Project Fund

The Capital Project Fund accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds and FCC repacking projects funded by FCC auction proceeds or FCC reimbursements. At June 30, 2018 the Capital Project Fund had no fund balance as described in the Notes to the Financial Statements.

BUDGET COMPARISON ANALYSIS

The original budget for the Commission of \$34,328,639 and increased to \$34,983,283 during the fiscal year. Expenditures on a budgetary basis were less than budget by \$488,430 but more than revenues by \$414,867.

CAPITAL ASSETS

The Commission's investment in capital assets as of June 30, 2018, amounts to \$67,254,812 which--with accumulated depreciation of \$64,031,405--leaves a net book value of \$3,223,407. This investment in capital assets includes land, buildings and equipment. The actual depreciation charges for the year totaled \$1,064,604. The Georgia Public Telecommunications Commission entered into a forty-year intergovernmental agreement with the Board of Regents effective July 1, 2012. The Commission transferred other property and equipment at its headquarters location and the WJSP tower site to the Board of Regents. This transfer is required to obtain the use of general obligation bonds sold in the Board of Regents name on behalf of the Commission. The Commission, an authority created after 1967, cannot have bonds sold on its behalf. The net transfer to the Board of Regents in fiscal year 2018 was \$8,110.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Georgia's economy is outpacing that of the rest of the country. With this robust growth, Georgia has been able to fully fund the K-12 education formula, invest heavily in transportation, restore the Rainy-Day Fund to a healthy level and maintain well-funded, healthy pensions systems for

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

teachers and state employees. Revenue for the state is expected to continue this upward trend going into FY 2020. The Commission, along with other state agencies, were asked to examine their budgets and strategize ways to improve or enhance their services to the citizens of Georgia with a 2% enhancement request of their current budget for FY 2020. Requests will be analyzed and are not guaranteed. Budgets remain flat for the FY 2019 Amended budget.

The current state appropriation is approximately 45% of GPB's annual budget. To meet expenditures, GPB must raise approximately \$18.0 million each year. Our revenue generation from outside sources is critically important as state appropriations remain relatively flat. GPB projects moderate increases in other sources of revenue to sustain its annual budget; however, any uncertainty in the economy could adversely affect fundraising efforts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for those individuals interested in the Commission's finances. Questions concerning any of the information provided in this report should be addressed to:

Georgia Public Broadcasting
Chief Financial Officer
260 14th Street N.W.
Atlanta, Georgia 30318-5360

BASIC FINANCIAL STATEMENTS

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "A"

STATEMENT OF NET POSITION

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,737,039	\$ 1,795,794
Investments	16,474,009	4,832,258
Accounts Receivable	1,307,126	1,558,393
Net OPEB Asset	539,864	
Capital Assets		
Land	1,478,948	1,478,948
Buildings and Building Improvements	217,978	217,978
Other Property and Equipment	65,557,886	65,564,008
Less: Accumulated Depreciation	<u>(64,031,405)</u>	<u>(63,612,196)</u>
 Total Assets	 <u>30,281,445</u>	 <u>11,835,183</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	2,601,081	4,442,361
Related to Other Post-Employment Benefits	<u>155,038</u>	<u>0</u>
	2,756,119	4,442,361
LIABILITIES		
Accounts Payable and Other Accruals	343,510	357,449
Unearned Revenue	89,349	14,906
Noncurrent Liabilities		
Due Within One Year		
Compensated Absences	269,953	299,050
Due in More Than One Year		
Compensated Absences	792,537	765,143
Other Post-Employment Benefit Liability	15,782,387	2,473,855
Net Pension Liability	<u>13,110,054</u>	<u>14,678,935</u>
 Total Liabilities	 <u>30,387,790</u>	 <u>18,589,338</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Defined Benefit Pension Plans	111,867	42,080
Related to Other Post-Employment Benefits	<u>1,576,344</u>	<u>0</u>
	1,688,211	42,080
NET POSITION		
Investment in Capital Assets	3,223,407	3,648,738
Unrestricted	<u>(2,261,844)</u>	<u>(6,002,612)</u>
 Total Net Position	 <u>\$ 961,563</u>	 <u>\$ (2,353,874)</u>

The notes to the financial statements are an integral part of this statement.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED JUNE 30, 2018
(with summarized comparative information for the year ended June 30, 2017)

EXHIBIT "B"

Functions/Programs	Program Revenues 2018				Net (Expense) Revenue and Changes in Net position	
	Expenses 2018	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2018	2017
Governmental Activities						
Culture and Education	\$ 38,367,701	\$ 6,296,911	\$ 12,005,295	\$ 1,681,485	\$ (18,384,010)	\$ (17,917,004)
Total Governmental Activities	\$ 38,367,701	\$ 6,296,911	\$ 12,005,295	\$ 1,681,485	(18,384,010)	(17,917,004)
General Revenues						
Intergovernmental - Other					15,251,668	15,154,949
Unrestricted Investment Earnings					515,090	549,762
Special Items					19,217,113	0
Transfers and Donated Assets					(8,110)	(17,970)
Total General Revenues, Special Items and Transfers					34,975,761	15,686,741
Change in Net Position					16,591,751	(2,230,264)
Net Position - Beginning as Originally Reported					(2,353,874)	(123,610)
Cumulative Effect of Change in Accounting Principle					(13,276,314)	0
Net Position - Beginning of Year, Restated					(15,630,188)	(123,610)
Net Position - Ending					\$ 961,563	\$ (2,353,874)

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION

EXHIBIT "C"

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds	
				2018	2017
ASSETS					
Cash and Cash Equivalents	\$ 1,055,626	\$ 8,109,480		\$ 9,165,106	\$ 2,003,383
Investments		16,474,009		16,474,009	4,832,258
Accounts Receivable					
Other	879,059		\$ 428,067	1,307,126	1,558,393
Total Assets	\$ 1,934,685	\$ 24,583,489	\$ 428,067	\$ 26,946,241	\$ 8,394,034
LIABILITIES AND FUND BALANCES					
Liabilities					
Cash Overdraft			\$ 428,067	\$ 428,067	\$ 207,589
Accounts Payable and Other Accruals	\$ 342,318	1,192		343,510	357,449
Unearned Revenue	89,349			89,349	14,906
Total Liabilities	431,667	1,192	428,067	860,926	579,944
Fund Balances					
Assigned	670,419	24,582,297	-	25,252,716	6,718,208
Unassigned	832,599			832,599	1,095,882
Total Fund Balances	1,503,018	24,582,297	-	26,085,315	7,814,090
Total Liabilities and Fund Balances	\$ 1,934,685	\$ 24,583,489	\$ 428,067		

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$ 1,478,948		
Buildings and Building Improvements	217,978		
Other Property and Equipment	65,557,886		
Accumulated Depreciation	(64,031,405)		
Total Capital Assets		3,223,407	3,648,738

Certain liabilities and deferred inflows/outflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds. These consist of:

Compensated Absences	(1,062,490)	(1,064,193)
Other Post-Employment Benefit Obligations and Deferred Inflows	(16,663,829)	(2,473,855)
Pension Liability and Deferred Outflows and Inflows on Pension Plan	(10,620,840)	(10,278,654)
	(28,347,159)	(13,816,702)

Net Position of Governmental Activities (Exhibit "A") **\$ 961,563** **\$ (2,353,874)**

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2018
(with summarized comparative information for the year ended June 30, 2017)

EXHIBIT "D"

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds	
				2018	2017
REVENUES					
Intergovernmental - Other					
State Appropriations through the Board of Regents of the University System of Georgia	\$ 15,251,668			\$ 15,251,668	\$ 15,154,949
Corporation for Public Broadcasting - Grants	3,594,035			3,594,035	3,589,039
Federal Communications Commission - Proceeds			\$ 56,492	56,492	-
GSFIC			1,624,993	1,624,993	964,818
Contributions and Donations					
Foundation for Public Broadcasting in Georgia, Inc.		\$ 8,411,260		8,411,260	8,835,279
Interest and Other Investment Income		303,173		303,173	113,678
Rents and Royalties	2,432,567			2,432,567	2,109,840
Sales and Services	769,865			769,865	1,694,243
Underwriting	2,892,004			2,892,004	2,678,699
Gain on Investments		211,917		211,917	436,084
Miscellaneous	202,475			202,475	90,910
Total Revenues	25,142,614	8,926,350	1,681,485	35,750,449	35,667,539
EXPENDITURES					
Current					
Culture and Education	34,463,523	484,861	1,747,953	36,696,337	36,287,683
Excess Of Revenues Over (Under) Expenditures	(9,320,909)	8,441,489	(66,468)	(945,888)	(620,144)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers	9,028,522	10,117,113	(19,145,635)	-	-
SPECIAL ITEMS					
Federal Communications Commission - Auction Proceeds			19,217,113	19,217,113	-
FUND BALANCES - BEGINNING	1,795,405	6,023,695	(5,010)	7,814,090	8,434,235
FUND BALANCES - ENDING	\$ 1,503,018	\$ 24,582,297	\$ -	\$ 26,085,315	\$ 7,814,090
Net change in fund balances - total governmental funds				\$ 18,271,225	\$ (620,145)
Amounts reported for governmental activities in the Statement of Activities are different because:					
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:					
Capital Outlay			\$ 629,383		
Depreciation Expense			(1,046,604)	(417,221)	(361,515)
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in governmental funds. This activity consists of:					
Decrease in Compensated Absences				1,703	(53,146)
Increase in Other Post-Employment Benefit Obligations				(913,660)	(878,104)
Increase in Pension Obligations				(342,186)	(299,384)
The net effect of transactions involving capital assets is to increase net position:					
Net Transfer of Equipment				(8,110)	(17,970)
Change in net position of governmental activities (Exhibit "B")				\$ 16,591,751	\$ (2,230,264)

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

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NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. REPORTING ENTITY**

The Georgia Public Telecommunications Commission ("the Commission") is an instrumentality of the State of Georgia and a public corporation. The Commission was created by an Act of the General Assembly of the State of Georgia for the purpose of providing educational, instructional and public broadcasting services to the citizens of the State of Georgia.

The overall management of the business and affairs of the Commission is vested in a Board of Directors. State law provides that the Board is to be comprised of nine members. Board members serve on a part-time basis and are appointed by the Governor for specific periods of time. The Board of Directors appoints an Executive Director who is responsible for the day-to-day operations of the Commission.

A component unit is an entity for which the Commission is financially accountable. Financial accountability includes the ability of the Commission to appoint a voting majority of the component unit's governing board and to impose its will upon the organization or to have the potential for the organization to provide specific financial benefits or impose specific financial burdens on the Commission.

Blended Component Unit

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the Commission and its blended component unit, The Foundation for Public Broadcasting in Georgia, Inc. ("the Foundation"). The Foundation assists the Commission in fulfilling its statutory responsibility for providing educational and public broadcasting to the citizens of the State of Georgia. Funds raised by the Foundation are almost entirely devoted to the benefit of the Commission. The Foundation's Board of Directors is composed of five directors which are the Chairperson and the Vice Chairperson of the Commission's Board, the Executive Director of the Commission and two directors elected by the Foundation's Board.

Because the Foundation, a legally separate entity, is in substance a part of the Commission's operations, the financial statements of the Foundation have been blended with the financial statements of the Commission. To satisfy GAAP requirements for the blending of component units, the Foundation's financial activity is presented as a Special Revenue Fund in a separate column on the Statement of Revenue, Expenditures and Changes in Fund Balance. This presentation more accurately depicts the unique relationship between the Commission and the Foundation.

The Georgia Public Telecommunications Commission, with its blended component unit, is considered a component unit of the State of Georgia for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia. The component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit's articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions defined in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**B. BASIS OF PRESENTATION**

A key feature of the governmental financial reporting model is its unique combination of government-wide and fund financial reporting. This combination of government-wide and fund financial reporting is designed to accomplish two goals: (1) to provide information using the economic resources measurement focus and the accrual basis of accounting for functions reported in governmental funds, and (2) to provide net cost information by function for governmental activities. These goals are accomplished through government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities report information on all of the non-fiduciary activities of the Commission and its component unit.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. The only exception to this general rule is in those instances where the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) operating and capital grants and contributions that are restricted to meeting the operational requirements of a particular function. Annual appropriations received from the State of Georgia, through the Board of Regents of the University System of Georgia, and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements for each fund category are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

The financial activities of the Commission and its blended component unit are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Commission uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Commission reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not required to be accounted for in another fund. These transactions relate to resources obtained and used for providing educational, instructional and public broadcasting services to the citizens of the State of Georgia.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)

The *Special Revenue Fund* is used to account for all financial transactions related to the component unit, The Foundation for Public Broadcasting in Georgia, Inc.

The *Capital Project Fund* accounts for financial transactions related to the Commission's capital facilities projects funded by Georgia State Financing and Investment Commission (GSFIC) bonds and FCC repacking projects funded by FCC auction proceeds or FCC reimbursements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenue sources susceptible to accrual include intergovernmental revenue. Appropriations from the State of Georgia, passed through the Board of Regents of the University System of Georgia to the Commission, are recognized when they become measurable and available to the extent they are collected within the current period. All other revenue items become measurable and available when they are earned.

Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

D. ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE***Cash and Cash Equivalents***

The Commission's Cash and Cash Equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, money market funds and the State investment pool that have the general characteristics of demand deposit accounts in that the Commission may deposit additional cash at any time and may withdraw cash at any time without prior notice or penalty.

Funds held in money market funds and certificates of deposit are valued at cost which approximates fair value.

Investments

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue. Investments are presented at fair value.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)***Accounts Receivable***

Accounts receivable for service are recorded when either the asset or revenue recognition criteria have been met. Management periodically reviews the status of all of the accounts receivable balances for collectability and determined that the balances are collectible and an allowance for uncollectible accounts is considered unnecessary.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities in the government-wide financial statements. All land is capitalized regardless of cost. Buildings and Building Improvements are capitalized when the cost of individual items or projects exceeds \$100,000. Equipment is capitalized when the cost of individual items exceeds \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if historical cost information is unavailable. Donated capital assets are recorded at acquisition value on the date donated. Disposals are deleted at recorded cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Building Improvements	10-50 Years
Equipment	5-20 Years
Vehicles	5-10 Years

Deferred Outflows of Resources

Deferred outflows of resources reported in the Commission's Statement of Net Position represents resources related to the Employees' Retirement System of Georgia (ERS) and the Teachers Retirement System of Georgia (TRS) pension plans and the Commission's other post-employment benefits plan (OPEB) related to health insurance. It represents a consumption of net resources that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources have a positive effect on net position, but they are not assets.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. The Commission's long-term obligations include compensated absences, pensions and other post-employment benefits obligations.

Deferred Inflows of Resources

Deferred inflows of resources reported in the Commission's Statement of Net Position represents resources related to the Employees' Retirement System of Georgia (ERS) and the Teachers Retirement System of Georgia (TRS) pension plans; the Commission's other post-employment benefits plan (OPEB) related to health insurance and the State Employees' Assurance Department (SEAD) OPEB. It represents an acquisition of net resources that is

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)

applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources have a negative effect on net position, but they are not liabilities.

Pension Items

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and the Teachers Retirement System of Georgia (TRS) and additions to/deductions from ERS's and TRS's fiduciary net position have been determined on the same basis as they are reported by ERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) Items

There are two items relating to OPEB- the Commission's OPEB Plan is a single-employer defined benefit post-retirement healthcare plan and the SEAD-OPEB establishes a fund for the provisions of term life insurance to retired and vested inactive members of ERS, the Georgia Judicial Retirement System (GJRS), and Legislative Retirement System (LRS). For purposes of measuring the net SEAD-OPEB asset, deferred outflows of resources and deferred inflows of resources related to SEAD-OPEB, and SEAD-OPEB expense, net position has been determined on the same basis as reported by ERS.

Fund Balance

In the fund financial statements, governmental funds fund balance is composed of classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental funds classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Fund Balance – This classification includes revenue sources that reflect the intended use of resources established at either the highest level of decision making, or by a body or official designated for that purpose.

Unassigned Fund Balance – This classification includes that portion of fund balance that has not been restricted to specific purposes.

The Commission receives an annual appropriation from the State of Georgia through the Board of Regents of the University System of Georgia. In general, Georgia law requires that unencumbered annual state appropriations lapse at fiscal year end; however, statutory provisions allow the Commission to carry over unencumbered appropriations to future periods. Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end in the amount of \$670,419 are reported as assigned fund balances and do not constitute expenditures or liabilities because the

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)

commitments will be honored during the subsequent fiscal year. The Special Revenue Fund has an assigned fund balance of \$24,582,297 as of June 30, 2018. This balance consists of \$812,039 in funding for radio programs and \$23,770,258 for general operational support of the Commission.

Net Position

In the government-wide financial statements, the difference in the Commission's assets and liabilities is reported as net position. Where applicable, net position is reported in three categories:

Investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often designated, indicating they are not available for general operations. Such designations have internally imposed constraints on resources but can be removed or modified.

E. REVENUES AND EXPENDITURES/EXPENSES***Program Revenues***

Amounts reported as program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (b) operating and capital grants and contributions that are restricted to meeting the operational requirements of a particular function. Annual appropriations received from the State of Georgia, through the Board of Regents of the University System of Georgia, and other items not meeting the definition of program revenues are instead reported as general revenue.

Compensated Absences

Employees earn annual leave ranging from ten to fourteen hours each month depending upon the employee's length of continuous State service with a maximum accumulation of forty-five days. Employees are paid for a maximum of 360 hours of unused accumulated annual leave upon retirement or termination of employment.

Employees earn ten hours of sick leave each month with a maximum accumulation of ninety days. Sick leave does not vest with the employee. Unused accumulated sick leave is forfeited upon retirement or termination of employment unless an employee that is retiring has a combined total of 960 hours to include unused sick leave and forfeited annual leave. Thus, certain employees who retire with one hundred and twenty days or more of forfeited annual and sick leave or 960 hours or more are entitled to additional service credit in the Employees' Retirement System of Georgia.

F. BUDGET

The annual budget of the Commission is prepared on the budgetary basis. The budget is prepared by the Commission and reviewed by the Board. Liabilities and expenditures are recorded upon issuance of completed purchase orders. Goods and services need not have been received for liabilities and expenditures to be recorded.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Georgia Collateralization Statutes and Policies

Funds belonging to the State of Georgia (and thus the Commission) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Letters of credit issued by a Federal Home Loan Bank.
7. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Georgia General Assembly enacted legislation creating the Georgia State Pledging Pool Program effective in January 1999. This bill allows a bank to manage the collateral pledged towards their public funds in a pooled method instead of the traditional dedicated method. The Commission and Foundation bank accounts are a part of the Georgia State Pledging Pool program that is administered by the Georgia Bankers Association. This pool allows public depositors the option of having their financial institution secure deposits using a pooled method. By using the pooled method, the bank is able to pledge a pool of securities against the combined deposits of all their public depositors net of the FDIC insured amount. There are three separate entities that monitor deposits on a regular basis - the financial institution, the Office of the State Treasurer (OST) and GBA Services, Inc. (GBASI), a subsidiary of Georgia Bankers Association and authorized administrative agent for the OST. Significant savings are realized in administrative time and by avoiding the fees safe keepers charge to move securities from one account holder to another.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 3: ACCOUNTING CHANGES - ADOPTION OF NEW ACCOUNTING PRINCIPLES**

During fiscal year 2018, the following GASB statements were implemented:

No. 75 *Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pensions*

The objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of the Statement resulted in the recognition of the other postemployment benefit (OPEB) liability for the GPTC OPEB Plan and the accrual of the Commission's proportionate share of the net SEAD-OPEB asset, changes in the related OPEB note disclosures, additional OPEB required supplemental information, and the restatement of the July 1, 2017 net position as follows:

Net position, beginning of the year, as originally reported	(\$2,353,874)
July 1, 2017, balance of postemployment benefit obligation	2,473,855
July 1, 2017, balance of SEAD-OPEB asset	400,599
July 1, 2017, GPTC OPEB liability	(16,150,768)
Net position, beginning of the year, restated	<u>(\$15,630,188)</u>

No. 81 *Irrevocable Split-Interest Agreements*

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The Commission did not enter into any irrevocable split-interest agreements in fiscal year 2018 and the adoption of this Statement had no effect on the financial statements.

No. 85 *Omnibus 2017*

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The provisions of this Statement were applied simultaneously with Statement 75.

No. 86 *Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The Commission did not incur any in-substance defeasance of debt in fiscal year 2018 and the adoption of this Statement had no effect on the financial statements.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

NOTE 4: DEPOSITS AND INVESTMENTS**A. Cash Deposits with Financial Institutions*****Custodial Credit Risk - Deposits***

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be recovered. At June 30, 2018 the Commission's deposits bank balance of \$1,478,338 was insured and collateralized as part of the State of Georgia Pledging Pool; therefore, none of this amount was exposed to custodial credit risk.

	<u>2018</u>		<u>2017</u>	
	<u>Cash & Cash Equivalents</u>	<u>Investments</u>	<u>Cash & Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 8,737,039	\$ 16,474,009	\$ 1,795,794	\$ 4,832,258
Reclassifications to Investments for Risk Assessment Disclosures				
Money market mutual fund	(8,032,911)	8,032,911	(942,459)	942,459
Per Notes to the Financial Statements	<u>\$ 704,128</u>	<u>\$ 24,506,920</u>	<u>\$ 853,335</u>	<u>\$ 5,774,717</u>

B. Investments

The Commission's investments as of June 30, 2018 are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Investment Maturity</u>				<u>Fair Value 2018</u>	<u>Fair Value 2017</u>
	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>		
<u>Debt Securities</u>						
Corporate Bonds	\$ 142,436	\$ 1,741,776	\$ 3,631,257	\$ -	\$ 5,515,469	\$ 779,165
Money Market Mutual Fund	8,032,911				8,032,911	942,459
CMO&Asset Backed Securities				29,168	29,168	134,606
Municipal Bonds		379,734	80,354	93,745	553,833	229,949
U. S. Agencies	299,026	670,165	29,348	46,126	1,044,665	187,084
U. S. Treasury Obligations	1,272,469	1,253,165			2,525,634	602,494
	<u>\$ 9,746,842</u>	<u>\$ 4,044,840</u>	<u>\$ 3,740,959</u>	<u>\$ 169,039</u>	<u>\$ 17,701,680</u>	<u>\$ 2,875,757</u>
<u>Other Investments</u>						
Exchange Traded Funds					6,805,240	2,898,960
					<u>\$ 24,506,920</u>	<u>\$ 5,774,717</u>

Interest Rate Risk

Interest rate risk is the chance that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission, through the Foundation, contracts with an investment consultant and professional investment managers to invest assets on the Foundation's behalf. The investment consultant and the fixed income manager work together to adjust bond duration in an effort to minimize the interest rate risk of the bond portfolio. Asset allocations and general investment guidelines are determined by the Foundation's investment policy.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policy includes the following investing restrictions to manage credit risk:

1. **Acceptable Fixed Income Investments** may be comprised of the following: Domestic bonds, of "Baa3/BBB-" (as rated by Moody's and/or S&P) or better with sufficient liquidity; bonds issued by or guaranteed by the U.S. Treasury or U.S. Government agencies are considered AA+ rating; Convertible bonds; Treasury Inflation Protected Securities (TIP's); Exchange Traded Funds (ETF's) and Fixed Income mutual funds.
2. **Acceptable Cash Equivalent Investments** may be comprised of the following: Certificates of Deposit (\$250,000 maximum investment per issuer, as insured by FDIC); Money Market Funds, Commercial Paper (Rate A-1, P-1), U.S. Treasury bills and any other high quality fixed income investment with a yield to maturity of less than one (1) year (see ratings restrictions in above Fixed Income).
3. **Unacceptable/Restricted Investments and/or Transactions** are as follows: Borrowing of money; Purchasing of securities on margin or short sales; Pledging, mortgaging, or hypothecating of any securities; Purchase of securities of the investment advisor, its parent or its affiliates; Purchase of illiquid securities (i.e. private placements, real estate or mortgages, Limited Partnerships); Purchase or sale of commodities, commodity contracts and purchase or sale of futures of options for speculation or leverage.

The following table provides information about the Commission's exposure to credit quality risk.

Rated Debt Investments	Quality Ratings					Fair Value	Fair Value
	AAA	AA	A	BBB	Unrated	2018	2017
Corporate Bonds	\$ 214,952	\$ 883,047	\$ 2,695,203	\$ 1,546,407	\$ 175,860	\$ 5,515,469	\$ 779,165
Money Market Mutual Fund					8,032,911	8,032,911	942,459
CMO&Asset Backed Securities					29,168	29,168	134,606
Municipal Bonds	112,051	309,558	107,278	24,946		553,833	229,949
U.S. Agencies		1,013,119			31,546	1,044,665	187,084
U. S. Treasury Obligations					2,525,634	2,525,634	602,494
	<u>\$ 327,003</u>	<u>\$ 2,205,724</u>	<u>\$ 2,802,481</u>	<u>\$ 1,571,353</u>	<u>\$ 10,795,119</u>	<u>\$ 17,701,680</u>	<u>\$ 2,875,757</u>

Equity Risk

Equity risk is the risk that equity investments or funds holding equity investments (ETFs and mutual funds) will lose value due to poor market conditions, an economic recession, and/or any number of unforeseen events (economic or geopolitical). Additionally, foreign equities held in U.S. dollar denominated funds are subject to foreign exchange risk. The Commission's policy for managing equity risk is to only allocate funds to equities that are longer-term in nature and can be held through a full market cycle. With the assistance of the investment consultant, the

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investment committee will determine the appropriate allocation to equities based on market conditions and the near-term liquidity needs of the Commission. The investment policy includes the following investing restrictions to manage equity risk:

1. **Acceptable Equity Investments** should consist of the following: Domestic (U.S.) common stock-includes preferred and convertible issues; American Depositary Receipts (ADR's) of foreign companies; mutual funds (excluding those managed by the manager's/advisor's firm(s)); Exchange Traded Funds (ETF's) and Publicly-traded Real Estate Investment Trusts (REIT's).
2. **Unacceptable Equity Investments** include the following, but not limited: Unlisted stocks; "Penny Stocks," Options (puts and calls) and Non U.S. Dollar denominated foreign stocks.

Fair Value Measurement

Investments are measured at fair value on a recurring basis and the Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP). The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into valuations are observable. In determining the level of the hierarchy, in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

- Level 1 – valuations based on unadjusted quoted prices in active markets for identical assets and have daily liquidity and daily pricing. Commission investments under Level 1 include money market funds and exchange traded funds.
- Level 2 – valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable. Commission investments under Level 2 include U.S. Treasury Securities, U.S. Agencies, Corporations, Municipals, Agency Mortgage-backed, Commercial Mortgage-backed and Asset-backed securities.
- Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Commission's investments did not hold any level 3 inputs at June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2017)

The Commission did not have any Net Asset Value (NAV) investments at June 30, 2018. The following table shows the fair value leveling of the Commission's investments.

Investments by Fair Value Level	Fair Value Measures Using			Total 2018	Total 2017
	Quoted prices in active markets for identical assets Level 1	Significant other observable Inputs Level 2	Significant unobservable Inputs Level 3		
<u>Debt Securities</u>					
Corporate Bonds	\$ -	\$ 5,515,469	\$ -	\$ 5,515,469	\$ 779,165
Money Market Mutual Fund	8,032,911			8,032,911	942,459
CMO&Asset Backed Securities		29,168		29,168	134,606
Municipal Bonds		553,833		553,833	229,949
U. S. Agencies		1,044,665		1,044,665	187,084
U. S. Treasury Obligations		2,525,634		2,525,634	602,494
<u>Other Investments</u>					
Exchange Traded Funds	6,805,240			6,805,240	2,898,960
	<u>\$ 14,838,151</u>	<u>\$ 9,668,769</u>	<u>\$ -</u>	<u>\$ 24,506,920</u>	<u>\$ 5,774,717</u>

Custodial Credit Risk-Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Commission will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Commission's policy for managing custodial credit risk for investments is to have all investments managed through an investment account custodian. This custodian provides Securities Investor Protection Corporation (SIPC) which protects securities customers of its member institutions for up to \$500,000 (including \$100,000 for claims for cash). In addition to this coverage, the custodian has secured protection through additional commercial insurance to \$150 million per customer.

At June 30, 2018, \$24,506,920 of the Commission's applicable investments was held by the investment account custodian.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission's policy for managing concentration of credit risk is no individual security, except diversified funds, shall make up more than 5% of each portfolio. The Fixed Income Securities portfolio has additional stipulations stating that in the case of asset backed securities and private label mortgage obligations the maximum limit shall relate to obligations from a specific "master trust" which holds the assets collateralizing the securities. There shall be no such limit on U.S. Government securities or U.S. Government-sponsored agency securities or mortgage obligations that are collateralized entirely by U.S. Government or U.S. Government agency securities. The maximum exposure to any single municipal obligor shall not exceed 5% of the total portfolio.

The investment advisor for the Fixed Income portfolio which represents approximately 39% of the Commission's total funds available for investment has additional restrictions to limit the relative sector exposure of the investments and additional restrictions on the type of investments. The restrictions include: No obligations of BB&T Corporation which own the investment advisor's company; No Private Placements; No Derivatives; No Non-U.S. Dollar Denominated Issues. The restrictions to limit the relative sector exposure include: Exposure to corporate debt will be restricted to 60% of the portfolio market value; Exposure to mortgage-backed securities will be restricted to a maximum of 30% of the weighting of the portfolio; Asset-

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

backed securities will be restricted to a maximum of 25% of the portfolio; Commercial Mortgage Backed Securities will be restricted to a maximum of 25% of the portfolio; Yankee debt will be restricted to a maximum of 10% of the fund and Total exposure to municipal obligations shall not exceed 15% of the overall account. At June 30, 2018, the Commission did not have any debt investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of total investments.

NOTE 5: ACCOUNTS RECEIVABLE

		<u>Governmental Activities</u>	
		<u>2018</u>	<u>2017</u>
Production, Sales, Rents and Underwriting	\$	879,059	\$ 1,355,814
GSFIC Bonds		<u>428,067</u>	<u>202,579</u>
Total	\$	<u><u>1,307,126</u></u>	<u><u>1,558,393</u></u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

NOTE 6: CAPITAL ASSETS

Capital asset activity at June 30, 2018 and June 30, 2017 is as follows:

Governmental Activities:	Beginning Balance 2018	Increases	Decreases	Ending Balance 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 1,478,948	\$ -	\$ -	\$ 1,478,948
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	217,978	-	-	217,978
Other Property and Equipment	65,564,008	629,383	(635,505)	65,557,886
Total Capital Assets Being Depreciated	65,781,986	629,383	(635,505)	65,775,864
Less: Accumulated Depreciation				
For:				
Buildings and Building Improvements	(39,236)	(4,905)	-	(44,141)
Other Property and Equipment	(63,572,960)	(1,041,699)	627,395	(63,987,264)
Total Accumulated Depreciation	(63,612,196)	(1,046,604)	627,395	(64,031,405)
Governmental Activities Capital Assets, Net	\$ 3,648,738	\$ (417,221)	\$ 8,110	\$ 3,223,407

Governmental Activities:	Beginning Balance 2017	Increases	Decreases	Ending Balance 2017
Capital Assets, Not Being Depreciated:				
Land	\$ 1,478,948	\$ -	\$ -	\$ 1,478,948
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	217,978	-	-	217,978
Other Property and Equipment	65,298,416	636,295	(370,703)	65,564,008
Total Capital Assets Being Depreciated	65,516,394	636,295	(370,703)	65,781,986
Less: Accumulated Depreciation				
For:				
Buildings and Building Improvements	(34,332)	(4,904)	-	(39,236)
Other Property and Equipment	(62,932,787)	(992,906)	352,733	(63,572,960)
Total Accumulated Depreciation	(62,967,119)	(997,810)	352,733	(63,612,196)
Governmental Activities Capital Assets, Net	\$ 4,028,223	\$ (361,515)	\$ (17,970)	\$ 3,648,738

Depreciation expense for the fiscal year ended June 30, 2018 was \$1,046,604 and the total amount was charged to the Culture and Education function of the Commission.

The Commission entered into a 40-year Intergovernmental Agreement with the Board of Regents effective July 1, 2012. In exchange for transferring Buildings and Building Improvements and Other Property and Equipment located at the Commission's headquarters and the WJSP tower site to the Board of Regents, the Commission receives the proceeds of general obligation bond funds sold in the Board of Regents' name. As an authority created after 1967, the Commission cannot have bonds sold on its behalf.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

Under the terms of the Agreement, the Commission continues to use and maintain its headquarters site and the WJSP tower site. The Commission is also permitted to improve these sites. Title to any improvements at these sites is transferred to the Board of Regents as the improvements are completed. The net transfer to the Board of Regents of \$8,110 is included as a decrease to the Commissions assets in fiscal year 2018.

NOTE 7: LEASES RECEIVABLE

The Commission leases certain facilities for use by others for terms varying from 1 to 11 years. The leases are accounted for as operating leases; revenues for services provided and for use of facilities are recorded when earned. Total revenue from rental of facilities and towers were \$1,190,278 for the year ended June 30, 2018. Minimum future revenues and rentals to be received under operating leases as of June 30, 2018, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>2018</u>	<u>2017</u>
2018	-	\$ 1,106,574
2019	\$ 1,122,521	1,054,651
2020	1,016,079	948,204
2021	944,895	875,533
2022	944,583	892,661
2023	959,345	910,023
2024-2028	1,125,272	1,001,064
Total Minimum Commitments	<u>\$ 6,112,695</u>	<u>\$ 6,788,710</u>

NOTE 8: INTERFUND TRANSFERS

Equally offsetting asset and liability accounts (due from/to other funds) are used to account for amounts owed to a particular fund by another fund for short term obligations on goods sold or services rendered.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements with the exception of activities between governmental activities and business-type activities. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or requirements for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers of balances between funds are made to accomplish various provisions of law. Transfers between funds were as follows:

Transfers		
<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
\$ 9,100,000	\$ (9,100,000)	\$
(71,478)		71,478
	19,217,113	(19,217,113)
<u>\$ 9,028,522</u>	<u>\$ 10,117,113</u>	<u>\$ (19,145,635)</u>

NOTES TO FINANCIAL STATEMENTS

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The total transfer of funds from the Foundation to the Commission's general fund for fiscal year 2018 was \$9,100,000. The Foundation assists the Commission in fulfilling its statutory responsibility for providing educational and public broadcasting to the citizens of the State of Georgia. Funds raised by the Foundation are almost entirely devoted to the benefit of the Commission. In addition to this transfer, the FCC auction proceeds of \$19,217,113 were transferred from the capital project fund to the Foundation. The proceeds are invested with the Foundation and will be transferred as needed to fund our FCC repack projects or any other approved projects. Any unfunded FCC repack expenditures were covered by a transfer of \$71,478 from the Commission.

NOTE 9: OPERATING LEASES

The Commission has entered into certain agreements to lease equipment and transmitter space, which are classified for accounting purposes as operating leases. These leases generally contain provisions that, at the expiration date of the original term of the lease, the Commission has the option of renewing the lease on a year-to-year basis. Total expenditures for the rental of real property under such leases were \$1,079,055 for the year ended June 30, 2018. The future minimum commitments for operating leases as of June 30 are listed below. Amounts are included only for multi-year leases and for cancellable leases for which an option to renew for the subsequent fiscal year has been exercised.

<u>Fiscal Year Ended June 30</u>	<u>2018</u>	<u>2017</u>
2018	-	\$ 876,514
2019	\$ 1,098,381	98,068
2020	685,781	90,623
2021	657,689	62,530
2022	658,872	266,557
2023	660,784	59,492
2024-2028	1,982,183	-
Total Minimum Commitments	<u>\$ 5,743,690</u>	<u>\$ 1,453,784</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(with summarized comparative information for the year ended June 30, 2017)

NOTE 10: LONG-TERM LIABILITIES

Long-term obligations at June 30 and changes for the fiscal year 2018 and 2017 are as follows:

<u>Fiscal Year 2018</u>	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 1,064,193	\$ 400,975	\$ 402,678	\$ 1,062,490	\$ 269,953
Other Post Employment Benefit Liability (Restated)	16,150,768		368,381	15,782,387	-
Net Pension Liability	14,678,935		1,568,881	13,110,054	-
	<u>\$ 31,893,896</u>	<u>\$ 400,975</u>	<u>\$ 2,339,940</u>	<u>\$ 29,954,931</u>	<u>\$ 269,953</u>

<u>Fiscal Year 2017</u>	<u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 1,011,047	\$ 439,209	\$ 386,063	\$ 1,064,193	\$ 299,050
Other Post Employment Benefit	1,595,751	1,057,928	179,824	2,473,855	-
Net Pension Liability	11,496,383	3,182,552		14,678,935	-
	<u>\$ 14,103,181</u>	<u>\$ 4,679,689</u>	<u>\$ 565,887</u>	<u>\$ 18,216,983</u>	<u>\$ 299,050</u>

NOTE 11: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The State of Georgia utilizes self-insurance programs established by individual agreement, statute or administrative action, to provide property insurance covering fire and extended coverage and automobile insurance and to pay losses that might occur from such causes; liability insurance for employees against personal liability for damages arising out of performance of their duties; survivors' benefits for eligible members of the Employees' Retirement System; consolidating processing of unemployment compensation claims against State agencies and the payment of sums due to the Department of Labor; and workers' compensation insurance coverage for employees of the State and for the receipt of benefits as prescribed by the workers' compensation statutes of the State of Georgia. These self-insurance funds are accounted for as internal service funds of the State of Georgia where assets are set aside for claim settlements. The majority of the risk management programs are funded by assessments charged to participating organizations. A limited amount of commercial insurance is purchased by the self-insurance funds applicable to property, employee and automobile liability, fidelity and certain other risks to limit the exposure to catastrophic losses. Otherwise, the risk management programs service all claims against the State for injuries and property damage. Financial information relative to the self-insurance funds will be presented in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2018.

In addition, the Commission has purchased a liability insurance policy for broadcasters and producers and another liability and crime policy for the Foundation's Board of Directors.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 12: RELATED PARTY TRANSACTIONS**

As further described in Note 1, the Commission, through its board members, the State of Georgia, and other State agencies, participates in related party transactions which are inherent to its organizational and funding structure. Agencies that fund the Commission also contract with the Commission for goods and services and the Commission purchases goods and services from funding agencies.

NOTE 13: RETIREMENT PLANS

The Commission participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS) and Teachers Retirement System of Georgia (TRS). These two systems issue separate, publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained by visiting the following websites:

Employees' Retirement System	www.ers.ga.gov
Teachers Retirement System	www.trsga.com

The significant retirement plans that the Commission participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

Employees' Retirement System of Georgia (ERS)***Plan description***

ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/financials.

Benefits provided

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits provided the members were hired prior to

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)

July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions

Member contributions under the old plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The Commission's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2018 was 24.81% of annual covered payroll for old and new plan members and 21.78% for GSEPS members. The rates include the annual actuarially determined employer contribution rate of 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members, plus a 0.12% adjustment for the HB 751 one-time benefit adjustment of 3% to retired state employees. The Commission's contributions to ERS totaled \$1,826,103 for the year ended June 30, 2018. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Commission reported a liability for its proportionate share of the net pension liability of \$12,846,328. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The Commission's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2017. At June 30, 2017, the Employer's proportion was 0.316308%, which was an increase of 0.014451% from its proportion measured as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS

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(with summarized comparative information for the year ended June 30, 2017)

For the year ended June 30, 2018, the Commission recognized pension expense of \$2,198,006. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 140,763	\$ 101
Changes of assumptions	29,246	
Net difference between projected and actual earnings on pension plan investments		31,988
Changes in proportion and differences between employer contributions and proportionate share of contributions	511,576	
Employer contributions subsequent to the measurement date	<u>1,826,103</u>	
Total	\$ <u>2,507,688</u>	\$ <u>32,089</u>

Commission contributions subsequent to the measurement date of \$1,826,103 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 220,038
2020	649,488
2021	144,211
2022	(364,241)
2023	-
Thereafter	-

Actuarial assumptions

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)

to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirement and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00 %	(0.50) %
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	100.00 %	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)***Sensitivity of the Commission's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 18,131,951	\$ 12,846,328	\$ 8,337,528

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report which is publically available at www.ers.ga.gov/financials.

Teachers Retirement System of Georgia (TRS)***Plan description***

All qualifying employees in educational service as defined in §47-3-60 of the O.C.G.A. are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2018. Employer's contractually required contribution rate for the year ended June 30, 2018 was 16.81% of payroll. The Commission's contributions to TRS were \$36,783 for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Commission reported a liability for its proportionate share of the net pension liability of \$263,726. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. The Commission's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2017. At June 30, 2017, the Commission's proportion was 0.001419%, which was an decrease of (0.000519)% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$21,884. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,865	\$ 995
Changes of assumptions	5,781	
Net difference between projected and actual earnings on pension plan investments		1,815
Changes in proportion and differences between employer contributions and proportionate share of contributions	40,964	76,968
Employer contributions subsequent to the measurement date	<u>36,783</u>	
Total	\$ <u>93,393</u>	\$ <u>79,778</u>

The Commission contributions subsequent to the measurement date of \$36,783 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ (8,721)
2020	6,981
2021	1,937
2022	(21,766)
2023	(1,599)
Thereafter	-

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**Actuarial assumptions**

The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the PR-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. Rate of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00 %	(0.50) %
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00 %	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be

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made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net pension liability	\$ 432,805	\$ 263,726	\$ 124,442

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

GSEPS 401(k) Defined Contribution Component of ERS

In addition to the ERS defined benefit pension described above, Georgia State Employees' Pension and Savings Plan (GSEPS) members may also participate in the Peach State Reserves 401(k) defined contribution plan and receive an employer matching contribution. The 401(k) plan is administered by the System and was established by the Georgia Employee Benefit Plan Council in accordance with State law and Section 401(k) of the Internal Revenue Code (IRC). The GSEPS segment of the 401(k) plan was established by State law effective January 1, 2009. Plan provisions and contribution requirements specific to GSEPS can be amended by State law. Other general 401(k) plan provisions can be amended by the ERS Board of Trustees as required by changes in federal tax law or for administrative purposes. The State was not required to make significant contributions to the 401(k) plan prior to GSEPS because most members under other segments of the plan either were not State employees or were not eligible to receive an employer match on their contributions.

The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 5% of salary unless the participating member elects otherwise. The member may change such level of participation at any time. In addition, the member may make such additional contributions as he or she desires, subject to limitations imposed by federal law. The State will match 100% of the employee's initial 1% contribution and 50% of contribution percents two through five. Therefore, the State will match 3% of salary when an employee contributes at least 5% to the 401(k) plan. Employee contributions greater than 5% of salary do not receive any matching funds.

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GSEPS employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all State service. Vesting is determined based on the following schedule:

Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) plan on approval of the 401(k) plan administrator. Such rollovers are 100% vested at the time of transfer. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

The participants may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or 30 days after retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Employees who die while actively employed and eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum. For fiscal year 2018, employee GSEPS contributions totaled \$136,457 and GPTC recognized expense of \$79,389.

Georgia Defined Contribution Plan

Certain employees of the Commission participate in the Georgia Defined Contribution Plan (GDCP), which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement allowances for public employees who are not members of a public retirement or pension system. GDCP is administered by the ERS Board of Trustees.

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board. If a member has less than \$3,500 credit to his/her account, the Board has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions of GDCP are established and may be amended by State statute.

Member contributions are 7.5% of gross salary. There are no employer contributions. Contribution rates are established and may be amended by State statute. Earnings are credited to each member's account in a manner established by the Board. Upon termination of employment, the amount of the member's account is refundable upon request by the member. Total contributions by employees during the fiscal year ended June 30, 2018 were \$113,295, which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The Commission participates in the following post-employment benefits plans:

Administered by the ERS System:

State Employees' Assurance Department (SEAD)
– For Retired and Vested Inactive (SEAD-OPEB)

Administered by the Georgia Public Telecommunications Commission (GPTC):

Georgia Public Telecommunications Commission Post-Employment Health Benefits Plan (GPTC OPEB Plan)

Separate financial reports that include the applicable financial statements and required supplementary information for the plans administered by ERS are publicly available and may be obtained from the offices that administer the plans.

State Employees' Assurance Department (SEAD)***Plan description***

SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provisions of term life insurance to retired and vested inactive members of ERS, the Georgia Judicial Retirement System (GJRS), and Legislative Retirement System (LRS). The plan is a cost-sharing multiple-employer defined benefit other postemployment benefits plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefits Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

Benefits provided

The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

Contributions

Georgia law provides that employee contributions to the plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Commission reported an asset of \$539,864 for its proportionate share of the net SEAD-OPEB asset. The net SEAD-OPEB asset was measured as of June 30, 2017. The total SEAD-OPEB liability used to calculate the net SEAD-OPEB asset was based on an actuarial valuation as of June 30, 2016. An expected total SEAD-OPEB liability as of June 30, 2017 was determined using standard roll-forward techniques. The Commission's proportion of the net SEAD-OPEB asset was based on actual member salaries reported to the

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SEAD-OPEB plan during the fiscal year ended June 30, 2017. At June 30, 2017, the Commission's proportion was 0.207716%, which was an increase of 0.003508% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized SEAD-OPEB expense of (\$52,187). At June 30, 2018, the Commission reported deferred inflows of resources related to SEAD-OPEB from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 82,490
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,588
Total	\$ <u>87,078</u>

Amounts reported as deferred inflows of resources related to SEAD-OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (22,916)
2020	(22,916)
2021	(20,622)
2022	(20,624)
2023	-
Thereafter	-

Actuarial assumptions

The total SEAD-OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases:	Includes inflation
ERS	3.25 – 7.00%
GJRS	4.50%
LRS	N/A
Investment rate of return	7.50%, net of OPEB plan investment
Healthcare cost trend rate	expense, including inflation
	N/A

Postretirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on SEAD-OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Fixed Income	30.00 %	(0.50) %
Domestic large equities	37.20	9.00
Domestic mid equities	3.40	12.00
Domestic small equities	1.40	13.50
International developed market equities	17.80	8.00
International emerging market equities	5.20	12.00
Alternatives	5.00	10.50
Total	<u>100.00 %</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate

The discount rate used to measure the total SEAD-OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the SEAD-OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on SEAD-OPEB plan investments was applied to all periods of projected benefit payments to determine the total SEAD-OPEB liability.

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Sensitivity of the Commission's proportionate share of the net SEAD-OPEB asset to changes in the discount rate

The following presents the Commission's proportionate share of the net SEAD-OPEB asset calculated using the discount rate of 7.50 %, as well as what the Commission's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1- percentage-point higher (8.50 %) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the			
Net SEAD-OPEB asset	\$ 295,491	\$ 539,864	\$ 740,138

SEAD-OPEB plan fiduciary net position

Detailed information about the SEAD-OPEB plan's fiduciary net position is available in the separately issued ERS comprehensive annual financial report which is publically available at www.ers.ga.gov/financials.

Georgia Public Telecommunications Commission Post-Employment Health Benefits Plan (GPTC OPEB Plan)

Plan description

On November 1, 2013, the Commission began administering its own retiree health insurance plan. The GPTC OPEB Plan is a single-employer defined benefit post-retirement health care plan, or other post-employment benefits (OPEB Plan).

Effective July 1, 2018, the GPTC OPEB Plan implemented the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Plans Other Than Pensions*, which significantly changes the disclosures related to the plan. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. A major change in GASB 75 is the requirement to determine Total OPEB Liability (TOL) utilizing the Entry Age Normal actuarial funding method. Another major change is the requirement to determine and disclose an OPEB Expense in the notes to the financial statements. The information disclosed in this note is presented in accordance with the new standard. GPTC's actuarial report was prepared as of June 30, 2017 (measurement date) for financial reporting as of June 30, 2018.

Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from the Employees' Retirement System of Georgia or the Teachers Retirement System of Georgia. Coverage starts immediately at retirement, provided the retiree makes proper premium payments. Also, spousal coverage is provided for the lifetime of the participant and dependents may participate for the lifetime of the retiree as long as the retiree pays the required monthly contribution for dependent coverage and the dependent is eligible to continue coverage based on age requirements. The Commission as an authority of the State of Georgia has the authority to establish and amend benefit provisions.

The plan is currently funded on a pay-as-you-go basis. That is, annual employer costs of providing benefits will be financed in the same year as claims occur, with no significant assets accumulating as would occur in an advance funding strategy. The contribution requirements of plan members are established and may be amended by the Commission. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage,

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and Medicare eligibility and election. Plans offered include a Health Reimbursement Account (HRA) and High Deductible Health Plan (HDHP). As of January 1, 2018, retirees are required to pay 10% of the premium through their required contributions of \$84.45 to \$84.92 per month for retiree-only coverage, \$177.35 to \$178.34 for retiree and spouse coverage, and \$253.36 to \$254.76 for retiree plus family coverage. However, Medicare becomes the primary coverage for all Medicare-eligible retirees.

Benefits provided

The following schedule reflects membership for the GPTC-OPEB Plan as of June 30, 2017.

Inctive Members or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Members	<u>118</u>
Total Membership	128

OPEB liability

GPTC's total OPEB liability of \$15,782,387 was measured as of June 30, 2017, and as determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability at June 30, 2018 is based on the June 30, 2017 actuarial valuation with updated procedures performed by the actuary to roll forward to June 30, 2018. Significant assumptions included by the actuary include:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary Increases, including Wage Inflation	3.25% - 7.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023
Medicare	5.50% for 2017 decreasing to an ultimate rate of 5.00% by 2020

The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2000 mortality tables, with adjustments for ERS experience, projected with Scale BB to 2025.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, adopted by the ERS.

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The remaining actuarial assumptions (e.g. initial per capital costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Changes in the total GPTC-OPEB liability

Total GPTC-OPEB Liability as of June 30, 2016	\$ 16,150,768
Changes for the Year:	
Service Cost as the end of the year*	1,082,723
Interest on TOL and cash flows	483,452
Change in benefit terms	0
Difference between expected and actual experience	(12,296)
Changes of assumptions or other inputs	(1,742,436)
Benefit payments and implicit subsidy credit	(179,824)
Other	<u>0</u>
Net Changes	<u>(368,381)</u>
Total GPTC-OPEB Liability as of June 30, 2017	\$ <u>15,782,387</u>

*the service cost includes interest for the year

The TOL is based upon an actuarial valuation performed as of the valuation date, June 30, 2017. An expected TOL is determined as of June 30, 2016, the prior measurement date, using standard roll-back techniques. The roll back calculation begins with the TOL, as of the measurement date, June 30, 2017, adds the expected benefit payments for the year, deducts interest at the discount rate for the year, and then subtracts the annual normal cost (also called the service cost). The actuary assumed no significant changes, other than the change in the municipal bond index rate, occurred between the valuation date and the measurement date.

Since the prior measurement date, there was a change in assumptions or other inputs. There was a change in the TOL arising from a change in the discount rate from 3.01% to 3.56% due to a change in the municipal bond rate.

Sensitivity of the total GPTC-OPEB liability to changes in the health care cost trend rate

The following presents the TOL of the plan, calculated using the health care cost trend rates, as well as what the plan's TOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Health Care Cost Trend Rate Sensitivity

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total GPTC-OPEB Liability	\$ 13,005,697	\$ 15,782,387	\$ 19,408,549

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Sensitivity of the total GPTC-OPEB liability to changes in the discount rate

The following exhibit presents the TOL of the plan, calculated using the discount rate of 3.56, as well as what the plan's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Discount Rate Sensitivity			
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Total GPTC-OPEB Liability	\$ 19,147,574	\$ 15,782,387	\$ 13,171,168

OPEB Expense and deferred outflows of resources and deferred inflows of resources related to OPEB

The following table provides a summary of the deferred outflows of resources and deferred inflows of resources as of June 30, 2018.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 10,436
Changes of assumptions or other inputs		1,478,830
Benefits paid subsequent to the measurement date	155,038	
Total	\$ 155,038	\$ 1,489,266

Benefits paid subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to GPTC-OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended**June 30:**

2018	\$ (265,466)
2019	\$ (265,466)
2020	\$ (265,466)
2021	\$ (265,466)
2022	\$ (265,466)
Thereafter	\$ (161,936)

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The calculation of the OPEB expense for the year ended June 30, 2018 is shown in the following table:

Service cost	\$	1,082,723
Interest on the total OPEB liability		483,452
Expensed portion of current-period difference between expected and actual experience in the total OPEB liability		(1,860)
Expensed portion of current-period changes of assumptions or other inputs		<u>(263,606)</u>
OPEB Expense	\$	<u>1,300,709</u>

NOTE 15: NONMONETARY TRANSACTIONS

During the years ended June 30, 2018 and June 30, 2017 the Commission received in-kind contributions from the following institutions that housed local Georgia Public Broadcasting radio operations throughout the state. The in-kind contributions are for administrative, communication, facilities and departmental support. These amounts are not reflected on the Commission's financial statements.

<u>Institution</u>	<u>GPB Facility</u>	<u>In-Kind Contribution 2018</u>	<u>In-Kind Contribution 2017</u>
Georgia Southern University (Armstrong Campus)	WSVH-FM	\$ 58,867	\$ 58,739
Augusta University	WACG-FM	33,759	137,493
Mercer University	WMUM-FM	65,628	61,548
Piedmont College	WPPR-FM	-	1,208
University of Georgia	WUGA-FM	<u>981,572</u>	<u>922,842</u>
Total In-Kind Contributions		<u>\$ 1,139,826</u>	<u>\$ 1,181,830</u>

NOTE 16: CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Commission expects such amounts, if any, to be immaterial.

Litigation, claims and assessments filed against the Commission, if any, are generally considered to be actions against the State of Georgia. Accordingly, significant litigation, claims and assessments pending against the State of Georgia are disclosed in the *State of Georgia Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 17: SPECIAL ITEMS*****Spectrum Auction and Repacking***

In order to fulfill the increasing demand for wireless broadband access, the Federal Communications Commission (FCC) proposed the idea of buying a portion of broadcast spectrum used by television stations and selling it to wireless broadband companies. This was proposed by the FCC under a National Broadband Plan that was authorized by Congress in 2012. There are three interrelated components to the process:

- Reverse auction – a voluntary process where broadcasters decide whether to sell their spectrum rights to the FCC bidding downward against each other to give up their spectrum
- Forward auction – at the same time as the reverse auction, wireless broadband providers bid upward to buy that spectrum
- Repacking – a mandatory nationwide process where all broadcasters that stay on the air may be required to move to new channels

The FCC began the process of inviting stations to enter into the reverse auction at the end of 2015 and the actual auction started on March 29, 2016. The Commission decided to enter two of its stations into the reverse auction, WJSP TV (Columbus) and WNGH TV (Rome). These stations were on the UHF band and we proposed to sell some of our TV spectrum by moving these two stations to a different frequency, a low VHF band. The change will not impact any viewers or listeners around the state. There were several rounds in each stage of the reverse auction lasting several weeks at a time.

Bidding in the auction closed on March 30, 2017, repurposing 84 megahertz of spectrum nationwide. The auction yielded \$19.8 billion in revenue for the federal government, including \$10.05 billion for winning broadcast bidders and more than \$7 billion to be deposited into the U.S. Treasury for deficit reduction. The Commission's two stations were winning stations with compensation for WJSP TV at \$7,267,147 and WNGH TV at \$11,949,966, a total of \$19,217,113. Some of these proceeds will need to be expended on repacking these TV stations.

NOTES TO FINANCIAL STATEMENTSJUNE 30, 2018(with summarized comparative information for the year ended June 30, 2017)**NOTE 18: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS*****Spectrum Auction and Repacking***

On April 13, 2017 the FCC released a public notice formally closing the auction and beginning the repacking component. This is a 39-month period during which time some TV stations will need to transition to new channel assignments. As a result of the auction, the Commission has to repack 7 of its 9 TV stations within the following timeline and costs. (Costs are estimated and subject to change.)

Phase	Station	Estimated Costs	Testing Period	Phase Completion
1	WJSP	\$ 1,500,000	9/14/2018	11/30/2018
2	N/A	-	12/1/2018	4/12/2019
3	N/A	-	4/13/2019	6/21/2019
4	N/A	-	6/22/2019	8/2/2019
5	WNGH	1,094,580	8/3/2019	9/6/2019
6	N/A	-	9/7/2019	10/18/2019
7	N/A	-	10/19/2019	1/17/2020
8	N/A	-	1/18/2020	3/13/2020
9	WMUM, WVAN, WXGA	2,684,950	3/14/2020	5/1/2020
10	WACS, WGTV	4,287,860	5/2/2020	7/3/2020
		<u>\$ 9,567,390</u>		

Repacking includes modifying our facilities to transmit on a different frequency and can include tower modifications, antennas, transmitters, measurement analysis and engineering work, for example. The Commission will use the FCC proceeds from the reverse auction to cover all repacking costs associated with WJSP TV and WNGH TV. The other 5 stations should be fully reimbursed by the FCC however, this assumes they will have enough funds to cover all of the stations nationwide that are mandated to repack over the next 39 month period. The Commission will use its auction proceeds to cover any unfunded reimbursement from the FCC.

REQUIRED SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
GPTC's POST-EMPLOYMENT HEALTH BENEFIT PLAN
JUNE 30, 2018

SCHEDULE "1"

	<u>2017</u>
Total OPEB Liability (measurement period ending)	
Service Cost at end of year	\$ 1,082,723
Interest	483,452
Changes in benefit terms	0
Difference between expected and actual experience	(12,296)
Changes of assumptions or other inputs	(1,742,436)
Benefit payments and implicit subsidy credit	(179,824)
Other	0
Net changes in Total OPEB Liability	<u>(368,381)</u>
Total OPEB Liability - beginning	<u>16,150,768</u>
Total OPEB Liability - ending	<u>\$ 15,782,387</u>
Commission's covered payroll	\$ 7,639,554
Total OPEB Liability as a percentage of covered payroll	206.59%

Notes: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. No assets are accumulated in a trust that meet the criteria to pay related benefits.

Changes in assumptions: Discount rate 3.56% per annum, compounded annually. Health care cost trend assumptions:

	Post-65 Retiree Claims Trend
2017	5.50%
2018	5.50%
2019	5.25%
2020	5.00%
2021	5.00%
2022	5.00%
2023 and beyond	5.00%

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET SEAD-OPEB ASSET
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2018

SCHEDULE "2"

	<u>2018</u>
Employer's proportion of the net OPEB asset	0.207716%
Employer's proportionate share of the net OPEB asset	\$ 539,864
Employer's covered payroll	\$ 3,024,890
Employer's proportionate share of the net OPEB asset as a percentage of its covered payroll	17.85%
Plan fiduciary net position as a percentage of the total OPEB asset	130.17%

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CONTRIBUTIONS SEAD-OPEB
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2018

SCHEDULE "3"

	<u>2018</u>
Contractually required contribution *	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered payroll	\$ 2,576,156
Contributions as a percentage of covered payroll	0.00%

* Employer contributions are not currently required for the SEAD-OPEB plan.

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2018

SCHEDULE "4"

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.316308%	0.301857%	0.277984%	0.255447%
Employer's proportionate share of the net pension liability	\$ 12,846,328	\$ 14,279,104	\$ 11,262,238	\$ 9,580,841
Employer's covered payroll	\$ 8,409,681	\$ 7,571,004	\$ 6,887,434	\$ 6,252,863
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	152.76%	188.60%	163.52%	153.22%
Plan fiduciary net position as a percentage of the total pension liability	76.33%	72.34%	76.20%	77.99%

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2018

SCHEDULE "5"

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.001419%	0.001938%	0.001538%	0.001603%
Employer's proportionate share of the net pension liability	\$ 263,726	\$ 399,831	\$ 234,145	\$ 202,518
Employer's covered payroll	\$ 165,129	\$ 212,800	\$ 162,373	\$ 163,542
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	159.71%	188.07%	144.20%	123.83%
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%	84.03%

Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSIONS
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2018

SCHEDULE "6"

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,826,103	\$ 1,924,905	\$ 1,734,997	\$ 1,395,723	\$ 1,061,780	\$ 869,671	\$ 709,042	\$ 643,416	\$ 707,702	\$ 800,639
Contributions in relation to the contractually required contribution	<u>1,826,103</u>	<u>1,924,905</u>	<u>1,734,997</u>	<u>1,395,723</u>	<u>1,061,780</u>	<u>869,671</u>	<u>709,042</u>	<u>643,416</u>	<u>707,702</u>	<u>800,639</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Employer's covered payroll	\$ 8,025,859	\$ 8,409,681	\$ 7,571,004	\$ 6,887,434	\$ 6,252,863	\$ 6,419,534	\$ 7,009,521	\$ 6,918,493	\$ 7,278,119	\$ 7,751,579
Contributions as a percentage of covered payroll	22.75%	22.89%	22.92%	20.26%	16.98%	13.55%	10.12%	9.30%	9.72%	10.33%

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
JUNE 30, 2018

SCHEDULE "7"

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 36,783	\$ 23,258	\$ 30,338	\$ 21,352	\$ 20,083	\$ 18,444	\$ 16,618	\$ 22,259	\$ 21,089	\$ 30,717
Contributions in relation to the contractually required contribution	<u>36,783</u>	<u>23,258</u>	<u>30,338</u>	<u>21,352</u>	<u>20,083</u>	<u>18,444</u>	<u>16,618</u>	<u>22,259</u>	<u>21,089</u>	<u>30,717</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Employer's covered payroll	\$ 218,815	\$ 165,129	\$ 212,600	\$ 162,373	\$ 163,542	\$ 161,652	\$ 161,652	\$ 216,522	\$ 216,522	\$ 330,999
Contributions as a percentage of covered payroll	16.81%	14.08%	14.27%	13.15%	12.28%	11.41%	10.28%	10.28%	9.74%	9.28%

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

SCHEDULE "8"

EMPLOYEES' RETIREMENT SYSTEM

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rate of mortality, retirement, disability, withdrawal and salary increases.

TEACHERS RETIREMENT SYSTEM OF GEORGIA

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

SUPPLEMENTARY INFORMATION

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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
JUNE 30, 2018

SCHEDULE "9"

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance
Funds Available				
Revenues				
Other Revenues Retained	\$ 34,328,639	\$ 34,983,283	\$ 34,079,986	\$ (903,297)
Expenditures				
Culture And Education	\$ 34,328,639	\$ 34,983,283	\$ 34,494,853	\$ 488,430
 Excess of Funds Available over Expenditures			 \$ (414,867)	 \$ (414,867)

The budget for the Commission is adopted on a basis consistent with accounting practices prescribed or permitted by statutes and regulations of the State of Georgia, which is a basis other than prescribed by Generally Accepted Accounting Principles (GAAP). This budget is considered to be an appropriated budget. The following is an explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) "Funds available"	\$ 34,079,986
Differences - Budget to GAAP:	
For budget purposes, certain adjustments to prior year revenue/receivable items are considered fund balance adjustments rather than revenue items for financial reporting purposes.	(11,022)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ 34,068,964

Uses/outflows for resources

Actual amounts (budgetary basis) "expenditures"	\$ 34,494,853
Differences - Budget to GAAP:	
For budget purposes, certain adjustments to prior year expenditure/payable items and inventory adjustments are considered fund balance adjustments rather than expenditure items for financial reporting purposes.	(60,434)
For budget purposes, encumbrances are reported as expenditures in the year purchase orders are issued but are expensed when invoiced for financial reporting purposes.	29,104
For budget purposes, expenditures in the Foundation are non-budgetary.	484,861
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit "D")	\$ 34,948,384

GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
STATEMENT OF ACTIVITIES
BY CORPORATION FOR PUBLIC BROADCASTING GRANTEE
FOR FISCAL YEAR ENDED JUNE 30, 2018
(with summarized comparative information for the year ended June 30, 2017)

SCHEDULE "10"

	GPB TV	WJSP-FM	WUGA-FM	Total	
				2018	2017
REVENUES					
Intergovernmental - Other					
State Appropriations through the Board of Regents of the University System of Georgia	\$ 11,880,897	\$ 3,370,771		\$ 15,251,668	\$ 15,154,949
Corporation for Public Broadcasting - Grants	3,069,156	405,764	\$ 119,115	3,594,035	3,589,039
Federal Communications Commission - Proceeds	56,492			56,492	0
GSFIC	478,391	1,146,602		1,624,993	964,818
Contributions and Donations					
Foundation for Public Broadcasting in Georgia, Inc.	6,235,932	1,740,153	435,175	8,411,260	8,835,279
Interest and Other Investment Income	240,636	62,537		303,173	113,678
Rents and Royalties	2,432,282	285		2,432,567	2,109,840
Sales and Services	769,865			769,865	1,694,243
Underwriting	1,678,157	1,096,124	117,723	2,892,004	2,678,699
Gain on Investments	158,938	52,979		211,917	436,084
Miscellaneous	56,233	146,242		202,475	90,910
Special Items	19,217,113			19,217,113	0
Transfers and Donated Assets		(8,110)		(8,110)	(17,970)
Total Revenues, Special Items and Transfers	<u>46,274,092</u>	<u>8,013,347</u>	<u>672,013</u>	<u>54,959,452</u>	<u>35,649,569</u>
EXPENDITURES					
Culture and Education	<u>26,098,383</u>	<u>12,105,867</u>	<u>163,451</u>	<u>38,367,701</u>	<u>37,879,832</u>
Change in Net Position	20,175,709	(4,092,520)	508,562	16,591,751	(2,230,264)
Net Position - Beginning as Originally Reported	(1,765,406)	(459,006)	(129,462)	(2,353,874)	(123,610)
Cumulative Effect of Change in Accounting Principle	<u>(9,957,236)</u>	<u>(2,588,882)</u>	<u>(730,196)</u>	<u>(13,276,314)</u>	<u>0</u>
Net Position - Beginning of Year, Restated	<u>(11,722,642)</u>	<u>(3,047,888)</u>	<u>(859,658)</u>	<u>(15,630,188)</u>	<u>(123,610)</u>
Net Position - Ending	<u>\$ 8,453,067</u>	<u>\$ (7,140,408)</u>	<u>\$ (351,096)</u>	<u>\$ 961,563</u>	<u>\$ (2,353,874)</u>

Additional Information:

In-Kind Donations	\$ 158,254	\$ 981,572	\$ 1,139,826	\$ 1,181,830
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GEORGIA PUBLIC TELECOMMUNICATIONS COMMISSION
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

SCHEDULE "11"

CORPORATION FOR PUBLIC BROADCASTING

The Corporation for Public Broadcasting (CPB) is the steward of the federal government's investment in public media and supports the operations of nearly 1,500 locally owned and operated public television and radio stations. CPB is a private nonprofit corporation created and funded by the federal government. CPB does not produce or distribute programs, nor does it own, control or operate any broadcast stations.

CPB distributes community service grants (CSGs) to qualifying, noncommercial public television and radio stations that provide significant public service programming to their communities. CSGs are used to augment the resources of public broadcasting entities. In order to maintain any CPB funding, GPTC must meet a variety of legal, managerial, staffing, mandatory reporting and operational criteria on an annual basis.

GPTC is currently eligible to receive funding for three CPB grantees: TV, WJSP-FM and WUGA-FM. Each grantee is required to file an Annual Financial Report (AFR) that reflects the revenue and expense activity attributable to the operations of GPTC. CPB's Financial Reporting Guidelines for Preparing the AFR require that all grantees include a supplemental schedule that shows the discrete information for each grantee that is consolidated in the audit.

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SECTION II

INTERNAL CONTROL AND COMPLIANCE REPORT

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DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the Board of the Georgia Public Telecommunications Commission
and
Ms. Teya Ryan, President and Chief Executive Officer

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Georgia Public Telecommunications Commission (Commission), a component unit of the State of Georgia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

October 5, 2018